

Message Text

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ACTION IO-11

INFO OCT-01 AGR-05 AID-05 EB-07 AF-06 ARA-06 EA-07 EUR-12

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FM AMEMBASSY ROME

TO SECSTATE WASHDC 5912

INFO AMEMBASSY COLOMBO

AMEMBASSY LONDON

AMEMBASSY NEW DELHI

AMCONSUL CALCUTTA

AMEMBASSY NAIROBI

USMISSION GENEVA

USDEL MTN GENEVA

USMISSION OECD PARIS

AMEMBASSY JAKARTA

AMEMBASSY CANBERRA

C O N F I D E N T I A L ROME 2959

FODAG

E.O. 11652: GDS

TAGS: ETRD, EAGR, FAO

SUBJECT: MULTILATERAL TEA DISCUSSIONS

REF: (A) LONDON 01846 (NOTAL); (B) ROME 1928 (NOTAL); (C) STATE
036150.

1. UK INVITATION TO COMMONWEALTH TEA MEETING MARCH 8-10 INCLUDES
A DRAFT FOUR-PAGE SUMMARY OF POSSIBLE TEA AGREEMENT. DESCRIPTIVE
MATERIAL EXPLAINS COMMONWEALTH TEA MEETING WILL CONSIDER POSSIBLE
INTERNATIONAL TEA AGREEMENT (ITA) WITH IDEA OF ASKING FOLLOWING
FAO INTERGOVERNMENTAL GROUP ON TEA TO CALL SPECIAL NEGOTIATING
CONFERENCE.

2. AS STATED REFTEL A, DRAFT AGREEMENT IS BASED ON COFFEE AGREEMENT.
UK PAPER NOTES TEA PRICES HAVE FIRMED IN LAST TWO YEARS AND
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FORECASTS CONTINUED PRICE STABILITY AS PRODUCTION AND CONSUMPTION

ARE ABOUT RIGHT. ON THIS ASSUMPTION AN INTERNATIONAL TEA ORGANIZATION (ITO) WOULD BE CREATED. ITO COUNCIL WOULD SET GLOBAL CONSUMPTION QUOTAS AS PREDICTED BY MAIN CONSUMERS. ITO'S COUNCIL WOULD ALSO SET PRODUCER COUNTRY QUOTAS BASED ON AVERAGE PRODUCTION OR BEST SINGLE YEARS PRODUCTION OF PRODUCERS. BOTH SETS OF QUOTAS WOULD BE REVISED YEARLY. SMALL PRODUCERS WOULD NOT BE AFFECTED. UK PAPER DOES NOT GET INTO PROBLEM OF DIVERSITY OF TYPES OF TEA.

3. QUOTAS WOULD NOT GO INTO EFFECT UNTIL A PRICE TRIGGER WAS SET OFF. ITO COUNCIL WOULD SET PRICE TRIGGER RANGE BOTH FOR WHEN PRICES TOO LOW AND QUOTAS PUT INTO EFFECT AND FOR WHEN PRICES RISE TO LEVEL QUOTAS ARE ABOLISHED. AGREEMENT WOULD BE STARTED WITHOUT QUOTAS. QUOTAS WOULD BE BACKED UP BY CERTIFICATES OF ORIGIN OF TEA AS IN COFFEE AGREEMENT.

4. NEW ITO WOULD ALSO HAVE CAPABILITY OF FOLLOWING PRODUCTION CAPACITY, RESEARCH, AND CONSUMPTION PROMOTION.

5. FAO EXPERT, VITON, AGREES WITH BASIC ASSUMPTION ON TEA PRICES AND THAT AGREEMENT COULD BE REACHED AT CURRENT PRICES, BUT HE STRONGLY DOUBTS EAST AFRICAN COUNTRIES (READ KENYA) WILL AGREE TO EXPORTER QUOTAS AND THEREFORE WILL NOT AGREE TO CALLING OF NEGOTIATING MEETING ON INTERNATIONAL TEA AGREEMENT. VOLPE

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